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BELTSVILLE BRANCH

Reservoir in South Korea

Venezuela: Good Dollar Customer

Korea Five Years After

Drought in Large World Areas

Production Changes in Italy



UNITED STATES DEPARTMENT OF AGRICULTURE • FOREIGN AGRICULTURAL SERVICE

FOREIGN

AGRICULTURE

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To report and interpret world
agricultural developments.



Weather—The Last Barricade

Recent press reports indicate that the next hot issue in the cold war may be ways of controlling the weather.

Russia is known to be expanding its meteorological research, a field that the Soviet Union knows well. Scientists and weather experts in the United States are urging that our research in this field be broadened.

Whoever gets mastery of the weather first will have a firm advantage in their agriculture. Because today weather is one of the few remaining uncontrolled factors in agricultural production.

It has significant bearing, for instance, on world trade in farm products. Consider the 1957 world wheat crop.

Serious drought in Australia, ordinarily one of the world's four largest wheat exporting countries, will require that country to import wheat in 1958. In Canada, another of the four big wheat countries, the 1957 crop was only two-thirds the size of its 1956 crop because of dry weather. But in this same year weather was good in Europe, resulting in a huge wheat crop.

The vagaries of weather often cause importers of our farm products to raise their requirements when their own crops are damaged and lower them in years of bumper crops. With weather under control these ups and downs of trade will level off—but what will we have to talk about!

Cover Photograph

South Korean farmers repairing reservoir near Kimhae. With small incentive payments, farmers have developed similar community projects all over Korea. (Story p. 10)

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VENEZUELA

One of Our Best Dollar Customers

By Constance H. Farnworth
Latin American Analysis Branch
Foreign Agricultural Service

IN SURVEYING our world market for farm products, we cannot help but be impressed by the importance of Venezuela as a customer. This South American neighbor of ours is not a large country, being slightly smaller than the State of Michigan. It has a population of only about 6 million. Yet in 1956, Venezuela's imports from the United States reached a total of over \$600 million, of which foodstuffs accounted for \$70 million or about \$12 worth for every person in Venezuela.

Not only is Venezuela an excellent market for our agricultural exports, but it pays for these products with dollars. On a world-wide basis Venezuela ranks ninth as a dollar market for our agricultural products. In Latin America it is exceeded only by Cuba. In 1956 we sold more wheat flour, dried whole milk, oatmeal, and shell eggs to Venezuela than to any other market that we have; and these four items added up to about \$38 million worth of trade.

Venezuela's dollars are earned primarily by its petroleum. Petroleum exports have brought prosperity to the country, and as long as the demand for oil remains strong, Venezuela is expected to be an excellent market for exporters. For the immediate future, Venezuela will continue to use its dollars to buy our foodstuffs, as in the past. An impressive market still exists there; and although the U.S. share has been shrinking in certain items since the scarcities of the war years, so far we have held our percentage.

Agricultural Imports

Although Venezuela is self-sufficient in a number of farm commodities, it has provided an expanding market for a wide variety of farm products since the prewar years. Food imports rose in value from only \$10.8 million in 1938 to over \$133 million in 1956. Particularly rapid has been the increase in wheat flour imports over the years. These jumped from about 58 million pounds prewar to 409



Nowhere is Venezuela's prosperity more evident than in the capital, Caracas, with its skyscrapers and U.S. cars.

million pounds in 1956; and in the short period from 1950 to 1956, the increase amounted to almost 64 percent.

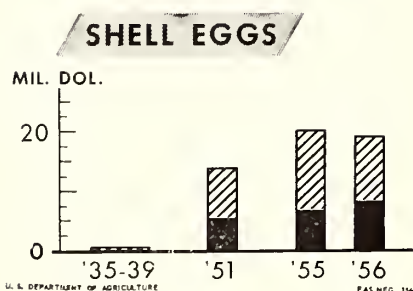
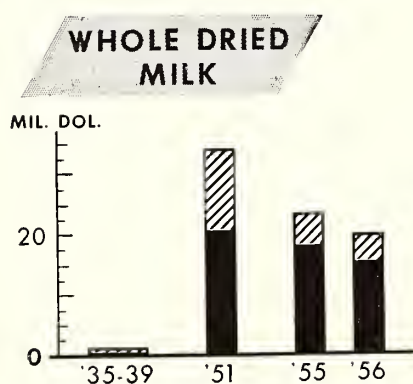
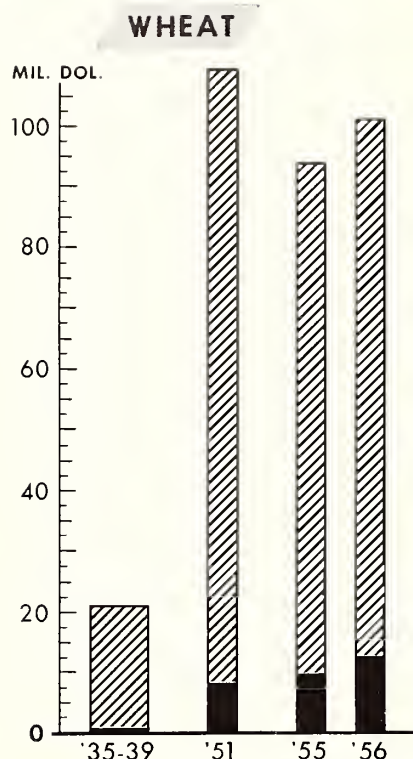
Other products show a slow but steady rise. Among these are malted barley, wheat, oats (mostly oatmeal), preserved milk, canned and dietary foods, cheese, ham, eggs, oilseeds, tobacco and cigarettes, and fruit. Fluctuating are such commodities as cotton, feedstuffs, lentils, and sausage, while those showing a decline are lard, fruit juices, and potatoes. Current expectations are that those products already showing an increase will continue their upward trend, and that feedstuffs, lentils, and sausage will also rise. Fruit juices, now declining, are being partly replaced by fruit pulp imports.

Our share of these imports is a large one. In 1956, the United States was the principal supplier of all of the commodities showing a rise except cheese, oilseeds, and ham. (Our ham exports were adversely affected by the quarantine for vesicular exanthema, in effect from April 1953 to November 1956.) The United States was also the main source for feedstuffs, lentils, and cotton, as well as for fruit juices and fruit pulp.

Competition

U.S. farm products, however, face competition in the Venezuelan market. And this competition comes from two

Venezuela's Share of United States Farm Exports



sources—wider local production and foreign suppliers.

With regard to increased agricultural production, the Venezuelan Government is engaged, on a long-term basis, in three major activities. It is sponsoring the settling of families from Europe on Venezuelan land. It is bringing under irrigation a million acres of uncultivated land. And very soon, it will increase supplies of commercial fertilizer from the new petrochemical plant.

The Venezuelans are already modernizing their agriculture and improving their herds. Moreover, they are approaching problems of surplus production, in the sense of supplies being in excess of local demand, at prices that permit producers to remain in business. For example, the Venezuelan Government first directed its attention to self-sufficiency in rice and soon had a surplus. It turned to corn expansion and was confronted with a surplus of that. It tried cotton, with the same results, then shifted to sugar and now has sugar for export. Oilseeds, particularly sesame, are now being pushed.

Removing the restriction on imports of fertile eggs for hatching has resulted in many Venezuelans going into baby chick production. Within the past year our market for about 8 million baby chicks has about disappeared. Tobacco, especially burley, is over-

produced, and Virginia flue-cured is in full supply, though in quality it is not yet as good as U.S. flue-cured.

Consumption of local fluid milk as well as imported powdered milk is increasing. But imports of dairy cows are also increasing and so is fluid milk production. Wheat flour imports are coming under pressure from local flour mills, so that our exports will probably shift from the flour trade of the past to wheat grain.

These increases in agricultural production represent the competition evolving from domestic policies and programs. But we also face competition in the Venezuelan market from foreign producers—particularly Canada, Holland, Denmark, the United Kingdom, and Mexico.

Canada vies with us in the market for wheat flour, preserved milk, and shell eggs. We see-saw back and forth with Canada as a supplier of wheat flour. Yet even though price sometimes causes us to lose some of our share of the market for eggs, powdered milk, and malted barley, Canada has never displaced us.

On the other hand, the Dutch sell the Venezuelans more cheese than we do, and the Italians, more sausage. These are both food-preference items. Also, Argentina supplies Venezuela with significant quantities of fresh fruit during our off season, but we

HOW U.S. FARM PRODUCTS FARED IN VENEZUELA'S 1956 FARM MARKET

Commodity	Total	Share of—	
		United States	Closest competitor
		Percent	Country Percent
Barley (malt)	3,528	73.8	Canada 7.6
Canned foods	6,485	69.8	England 7.3
Cheese	4,334	16.1	Netherlands 24.5
Cigarettes	4,401	97.2	United Kingdom 2.6
Cotton	430	65.0	Brazil 29.1
Cream	1,433	9.0	Denmark 79.4
Dietary food	5,662	87.0	Switzerland 11.3
Eggs	11,532	89.5	Canada 7.3
Feeds	820	97.4	Canada 1.4
Flour	21,372	60.2	Canada 39.7
Fruit, canned	873	91.8	Italy 5.3
Fruit, dried	1,025	89.0	Italy 6.8
Fruit, fresh	4,639	72.4	Argentina 24.0
Fruit juice	900	77.8	Spain 21.1
Fruit pulp	1,139	99.1	Argentina .3
Lard	180	99.9	Italy .1
Lentils, etc.	3,270	64.8	Mexico 21.6
Milk (preserved)	26,366	62.8	Canada 20.6
Oats	2,855	53.3	Canada 38.0
Oilseeds	8,150	8.1	Sudan 41.1
Potatoes, including seed	1,892	10.9	Canada 78.3
Sausage	2,195	18.9	Italy 42.2
Tabacco (leaf)	686	61.8	Turkey 37.5
Wheat	539	72.3	Canada 33.4
Ham	4,239	13.0	Denmark 33.5

have the entire market during season.

In spite of this foreign competition, there are very few major products imported by Venezuela where the United States supplies less than 50 percent of the total. The country's food imports average about \$21 per capita, with our share, as mentioned, close to \$12. Though we are trying to boost our exports, the competition promises to become more rugged as world production increases. Our competitors are as anxious to sell to this hard-currency market as we are.

Financing Imports

Most of Venezuela's imports of agricultural commodities are financed through its exports of petroleum. This has not always been the case. Before its petroleum started moving into world markets in 1917, coffee and cacao were Venezuela's big foreign-exchange earners. Cacao development has remained about the same, but since 1915 coffee production has followed a downward trend, largely because petroleum proved more attractive for investment than the coffee fincas. Today, export earnings from these two commodities can no longer pay for Venezuela's needs from abroad. In 1956, coffee and cacao earnings from exports brought in only about \$42 million, while total imports were valued at over a billion dollars and food products at over \$130 million.

Petroleum now pays the bill. Over the past 40 years, Venezuela's oil sales have mounted until they now supply 90 percent of the country's foreign exchange. Petroleum is also responsible for the general economic development of the country. In 1956 Venezuela sold the United States over \$700 million worth of petroleum and petroleum products. And Venezuela, in turn, used some of these dollars to purchase from the United States about 60 percent of its total imports and over half of its food imports.

Market Outlook

The Venezuelan Government is spending money to increase agricultural production. Consequently, we may safely predict that those crops suited to the country will soon be adequate for domestic consumption and some in surplus. This does not mean



Supermarket in Maracaibo, where housewives find shelves filled with prepared U.S. foods. Country promises to be even better outlet for these items in future.

that Venezuela will disappear as a lively market for some of our farm products. At present, there is no wheat suited to Venezuela's climate; and wheat flour consumption is still rising. It may be a long time before enough eggs are produced locally to meet demand. Our dried whole milk is still popular and shipments should continue; eventually though, Venezuela's relatively large imports of dairy breeding cattle may affect dried milk imports. Also, we can safely look for a continuing increase in the market for our luxury food items.

In the years ahead, with Venezuela's population increasing at a rate of about 3.5 percent annually, food imports will increase; and much of this increase will be luxury food items. Despite fluctuations in commodities, the U.S. share of the Venezuelan farm market—including cigarettes—has always remained fairly constant at about 60 percent. It should continue at least that strong, if our products are competitive in both price and quality.

Drilling team operates oil rig in Lake Maracaibo. Petroleum is country's biggest export, pays for U.S. foodstuffs.





The U. S. Can Expand Its Farm Trade With South Africa

The Union of South Africa is the most highly industrialized country on the African continent. Its finances are improving. Import controls are lessening. Opportunity knocks for more agricultural imports from the United States.

By John L. Wann

Africa and Middle East Analysis Branch
Foreign Agricultural Service



Left, narrow-gage railway carries sugarcane from fields to mills on Natal estates. Above, picking oranges in Transvaal; also, grain elevator in Orange Free State. In feed grain, the Union competes with the United States.

THE UNITED STATES AND the Union of South Africa have been trade partners for many years. We have bought their wool, gold and diamonds, and they have bought our manufactured goods. But exporters of U.S. farm products have gone along on the theory that the other Commonwealth countries have the inside track and have never really pursued the Union's full potentialities as a market.

Today the close ties between the Union and the sterling countries are loosening. South Africa's trade policy points to a relaxation of controls. And from all indications, the Union seems to want to draw in more securely some

of its trade companions in the dollar area.

The economic growth in the Union is generally sound. This 300-year-old country is the most highly industrialized in Africa. Salaries and wages are steadily improving. Industries are being encouraged. The country's gold, diamonds, coal, and uranium are finding ready markets, and the production of both uranium and gold is increasing.

This economic activity has changed the Union's balance-of-payments position. Starting in 1950, the deficit on current account was gradually reduced, and by 1956, there was a surplus of \$28 million. Last March, the Minister

of Finance, in a budget speech, stated that if no unexpected setback occurred, the justification for import control should disappear entirely in 1958.

The Union's present control system restricts imports to the total amount of foreign exchange available in each calendar year. It distributes the probable amount of foreign exchange over the various categories of imported goods; divides the foreign exchange among established importers; and tries to encourage imports of certain items in short supply, through exchange quota bonuses.

The Union, however, does not exercise control over sources of imports.



Shearing Merino sheep. The U.S. buys large quantities of the Union's wool.

This is left entirely to the importers. Accordingly, there is no discrimination in trade treatment against the dollar area. Mainly the desire is to permit imports to make up for needs not met by domestic production. Sales of major commodities except wool are controlled, both domestically and for export, by semiofficial boards.

South Africa, as a member of the sterling area, naturally makes the most of the trading advantages afforded by this membership. Yet this does not limit its trade, as U.S. importers have felt, to Canada, Australia, the Rhodesias and Nyasaland, and the other Commonwealth countries. In 1956-57, for example, the USSR became the fifth largest purchaser of South African wool. In turn, the USSR sold the Union wood and minerals. From other members of the Soviet Bloc came such items as cement, textiles, vegetable oils, and chemicals.

Agricultural Imports

Successful as the Union has been in exploiting its natural resources, the potential for agricultural expansion is limited. The arid and semi-arid nature of a large part of the land makes the country better adapted to livestock than to crops. But because of the many variations in climate and soil, an unusually large variety of agricultural crops has been grown. The Union has even been considered self-sufficient in basic foods and able to produce some surplus.



Afrikaner cattle grazing in the Bushveld, Northern Transvaal. By grain-feeding these native cattle and by selective breeding, ranchers hope to boost production.

Now, though, with attention concentrated on mining and industry, South Africa is using more wheat, tea, coffee, tobacco, cotton, and certain fats and oils than it produces. Every year since 1935, it has imported wheat and wheat flour, rice, meat, cocoa, coffee, tea, and preserved vegetables. Tobacco and animal feed have been imported since 1950. Other commodities imported quite regularly are prepared foods, nuts, spices, sugar, seeds, certain kinds of wool, and breeding animals.

Of these farm imports, wheat and tobacco are especially important to the Union. The quantity of wheat imported since 1950 has ranged from 7 million bushels to nearly 10 million, the amount of tobacco from 2 million to 11 million pounds, except for 1956 when 20 million pounds were imported. Yet the U.S. share of South Africa's wheat imports in 1955 came to only about 2 million bushels and in 1956 it was less than 0.5 million. And though South Africa's tobacco manufacturers are reported to favor U.S. leaf, imports of our tobacco in 1956 amounted to only about 2.5 million pounds.

Our share of the Union's total agricultural trade has not been too impressive either. For the 5-year period 1951-55, from 6 to 9 percent of its imports were agricultural, but less than 7 percent of these came from the U.S.

In value, our farm exports to South Africa totaled \$11.3 million in 1954, and \$13 million in 1956. Inedible tallow and wheat accounted for about two-thirds of the total each year. What we bought from South Africa in agricultural commodities amounted to \$21.7 million in 1954 and \$15.6 million in 1956. Most of this was wool.

Opportunities Ahead

With trade controls being relaxed, imports from dollar countries should increase. U.S. exporters will run into competition with Commonwealth and other countries. Still, there are opportunities to sell the Union larger amounts of such commodities as tobacco, wheat—when that country's crop is short—fats and oils, tallow, cotton, and rice. Furthermore, for a country as progressive as South Africa there should be a future for our canned, preserved, and frozen foods.

The long-range demand for U.S. agricultural products is harder to predict. There are, however, certain factors that point to South Africa's becoming a bigger market than at present.

First, even though South Africa expands its agricultural production, this can hardly be expected to do more than keep up with the increase in population. There are no large tracts of land which can be brought into cultivation by either irrigation or reclamation. All that can be accomplished must be done by such means as hybrid

seeds, mechanization, and newer techniques of cultivation and soil conservation. Livestock can be improved with selected breeding, improved pastures, and grain feeding of native cattle.

Second, within the Union are 11 million native people whose incomes are gradually increasing as they adapt themselves to the country's industries. If this predicted increase in buying power materializes, the Union's food needs will multiply.

The outlook for specific farm commodities must also be more or less speculative. South African land is not especially adapted to wheat production, so that during the next 20 years, it may prove more profitable to buy a larger share of wheat and thus permit use of the land for special crops, dairying, and livestock. On the other hand, even if wheat production rises, as it might with government encouragement and new techniques, imports by 1975 could amount to around 400,000 metric tons a year.

Tobacco production, by conservative estimates, may increase to about 30,000 tons by 1975. Rising incomes will strengthen the demand, with the result that import requirements could reach 5,000 tons by that year. Currently, most tobacco imports come from the Rhodesias and Nyasaland.

The Union not only buys from the United States but is also a competitor. Production of feed grains in the Union will very likely increase. In 10 to 20 years, the Union might have a million-bushel corn surplus for export. Distance from markets could cut down on profits; nevertheless, the Union's corn and other feed grains will compete with what we have to sell.

Cotton production in South Africa is expanding. While the country may become self-sufficient in cotton, there is little likelihood of its becoming a competitor in the world cotton market.

The Union exports sizable quantities of fresh deciduous and citrus fruits; and its citrus competes with the U.S. fruit in the European market. Expansion in citrus production will undoubtedly take place. But so far there is no indication that South Africa will embark on frozen and canned citrus on a large enough scale to offer serious competition to U.S. products.

FAS Studies Competition In Mexico, Argentina, South Asia and Japan

Recently off press or scheduled for early release are four Foreign Agricultural Service publications on the competition that U.S. farm exports face in various parts of the world.

- *Mexico as a Market and Competitor for U.S. Agricultural Products*, by Kathryn H. Wylie (For. Agr. Rept. No. 99, issued in September) describes the changes that the expansion of Mexico's agriculture has brought about in its foreign trade. Mexican farm products now compete with U.S. farm products in the Mexican market, in third markets around the world, and even in the U.S. market.

The products of the newly irrigated lands in north and west Mexico illustrate all three kinds of competition. Wheat used to be a major Mexican import from the United States; now, domestic production supplies practically all Mexico's need. Cotton, first among Mexican exports, is now a formidable threat to U.S. sales in Japan and in major West European markets. Winter vegetables and range cattle from Mexico go to the U.S. market.

- *Argentina—Competitor of U.S. Agriculture in World Markets*, by Constance H. Farnworth and Arthur G. Kevorkian (For. Agr. Rept. No. 101, issued in October) studies trends in the farm production and exports of one of the top four competitors the United States faces in exports of oilseeds, grain, and livestock products.

Argentina, unlike the United States with its booming industry, depends heavily on agriculture to finance its import requirements. But since the war, a drop in total Argentine farm production accompanied by a steady rise in consumption has led to a drastic decline in farm exports.

Now, however, the Argentine situation is changing, as the Provisional Government works to stimulate farm production and trade. The immediate outlook is for some increase in competition with the United States.

- *Agricultural Developments in South Asia: Their Effects on U.S. Farm Exports*, by Clarence E. Pike (For.

Agr. Rept. No. 100, issued in October) studies the agricultural situation and the extent and effect of national planning for agriculture in five South Asian countries: India, Pakistan, Afghanistan, Ceylon, and Nepal.

All five countries have long-range economic development programs in which agriculture figures prominently. All but Nepal (whose foreign trade is minor) hope to increase their export crops so as to help finance vital imports for their programs.

Some of these crops compete with U.S. production—flue-cured tobacco and vegetable oils in India; cotton in India, Pakistan, and Afghanistan; wool and citrus in Afghanistan. Some complement U.S. production—tea in India, Pakistan, and Ceylon; jute in Pakistan; rubber and coconuts in Ceylon; karakul and opium in Afghanistan.

When foreign exchange permits, India and Pakistan are good markets for high-quality flue-cured tobacco (used in blending) and for cotton of longer staple than their own growths. Afghanistan needs wheat; Ceylon, rice and wheat, dairy products, cotton, and tobacco.

- *Competition in the Japanese Market for Agricultural Products*, by Riley H. Kirby (For. Agr. Rept. No. 104, issued in December), examines Japan's farm imports from the United States and other major suppliers.

Japan, whose area and natural resources are limited, depends heavily on overseas supplies of food and industrial raw materials. Population growth and industrial development are increasing the country's import needs, and exports of goods and services must expand to pay for these larger imports.

Five-eighths of Japan's imports are agricultural. Their total runs about \$1.4 billion a year. About \$1.3 billion consists of competitive products—items which the United States can supply, and of which it does supply about one-third. For the "Big 9"—wheat, rice, barley, corn, soybeans, tallow, hides and skins, cotton, and tobacco—the U.S. share is nearer a half.

World Farm Production Levels Off in 1957-58

UNFAVORABLE WEATHER in several of the world's major producing areas has reduced world crop production slightly from last year's record high levels. At the same time, livestock production has continued to increase. These contrasting trends are resulting in about the same total world farm output in 1957-58 as in 1956-57.

The demand for agricultural products has remained strong in nearly all parts of the world, and this demand is expected to continue during 1957-58 despite some leveling off in the world's industrial activity. Moreover, carry-over stocks of several major farm products, including wheat, rice, cotton, and sugar, at the beginning of the 1957-58 consumption year were slightly below those of the previous year, and some further reduction may occur.

Wheat. The 1957-58 world wheat crop, estimated at 7.6 billion bushels, was reduced 200 million bushels by drought in Canada, the USSR, and Australia. Western Europe, because of favorable weather, reached a new record in wheat production. France again has substantial supplies of wheat for export, after importing in 1956-57.

Rice. Unfavorable monsoons in India, Thailand, and Indochina have reduced the world's rice crop by about 1 percent. Stocks in surplus producing countries also were reduced in 1957. With smaller supplies of rice available from exporting countries during 1958, a firmer market for rice appears likely.

Cotton. The world's cotton carry-over was reduced during 1956-57, and a further reduction is in prospect for the current season. Stimulated by stable prices, world consumption has been at record levels, and world trade expanded sharply last season. While consumption may level off during 1957-58, production is less, and further lowering of carryover stocks seems likely.

Tobacco. Production in 1957 did

not differ greatly from the record output of 1956, when world trade in tobacco also reached a new high. Total exports during 1957 did not change much either from the previous year.

Vegetable oils. Production is expected to reach a new high during 1957-58, but with anti-inflationary measures, world demand may not increase as rapidly as it has in recent years. Consequently, the upward trend in world trade may slow somewhat.

Sugar. Sugar consumption continues to increase rapidly, with the result that sugar stocks were reduced in 1957, despite the marked upward trend in production. Mills continue to be built in all parts of the world, especially in Asia, as both normally deficit and surplus producing countries expand their output.

Feed grain. Feed grain is one of the principal farm commodities with production increasing faster than consumption. Several countries are expanding feed grain acreage, and record yields in some surplus areas are resulting in the piling up of exportable supplies. In the United States, carryover stocks at the beginning of the current season were at a record level, and an even larger carryover is expected next fall. Several other countries are reporting difficulties disposing of their crops.

Coffee. Coffee is another major crop where production is ahead of consumption. This rapid expansion is the result of sharply increased tree planting in recent years and relatively good growing conditions in 1957-58.

Overall. In 1957-58, world production per capita is 2 percent above 1952-54, showing that production is just barely keeping pace with the rapid growth of world population. Increases in the Communist areas since 1952 have been slightly greater than in the Free World. On the other hand, the postwar recovery up to 1954 was much slower

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INDEX OF AGRICULTURAL PRODUCTION, BY REGION¹

1952/53-1954/55=100

Country	Total					Per capita				
	1935-1939	1952/53-1954/55	1955-1956	1956-1957 ²	1957-1958 ³	1935-1939	1952/53-1954/55	1955-1956	1956-1957 ²	1957-1958 ³
Canada.....	69	100	110	114	96	90	100	104	105	86
United States.....	69	100	105	107	107	86	100	102	102	100
Latin America.....	73	100	107	110	111	102	100	102	102	101
Western Europe.....	81	100	103	104	105	92	100	102	102	102
Western Asia.....	68	100	102	108	113	88	100	95	99	102
Africa.....	80	100	109	112	111	101	100	104	105	101
Far East.....	86	100	106	109	109	106	100	102	103	102
Australia & New Zealand.....	80	100	107	107	103	103	100	101	99	94
Total Free World nations ⁴	78	100	105	108	108	97	100	101	102	101
Total Communist nations ⁴	105	100	111	113	112	116	100	108	109	107
World ⁴	85	100	107	109	109	101	100	103	104	102

1935-39=100

Total Free World nations ⁴	100	128	135	138	138	100	103	104	105	104
Total Communist nations ⁴	100	95	106	108	107	100	86	93	94	92
World ⁴	100	118	126	128	128	100	99	102	103	101

¹These indices, which this year have been shifted to a postwar base—1952/53-1954/55—provide a rough measure of annual changes in volume of agricultural production, weighted by constant prices, both total and per capita, as related to the prewar base. They should not be used as a measure of changes in availabilities for local consumption, inasmuch as they make no allowance for imports and exports or changes in year-end stocks. ²Preliminary. ³Forecast. ⁴These indices have been completely revised, using a different method of calculation. Now derived from the country and regional totals, they include commodities formerly omitted, and cover most of the world's output of food, feed, and raw materials of farm origin.



Photos courtesy of ICA

Battle-weary Koreans seeking safety during the war. These mass migrations swelled the Republic's population from 8 million to over 21 million people.

Korea Five Years After

This year marks the fifth anniversary of the armistice that ended the Korean War. **Henry L. Buckhardt**, who has just returned from 2 years in Korea as U.S. agricultural attaché, tells in the following brief report what the country is like today, and what progress it has made agriculturally and economically.

AT THE END OF World War II, I spent 6 months in Korea. Ten years later I went back there as U.S. agricultural attaché in Seoul. In the meantime, a bitter war had devastated the countryside. Korea's major cities had been practically leveled. Hundreds of thousands of homeless refugees had poured down from North Korea. And across the country had been established a military zone, 198 miles long, heavily guarded by troops on both sides.

To return to Korea was a privilege, and the assignment proved to be one of great interest. Though I had not seen the country, either during the Korean conflict or immediately after, like all Americans I was familiar with the damage and suffering that had been caused. So while I was there to study the country's agriculture, I was also concerned with its economy as a whole, with its efforts toward rehabilitation, and with its future as a nation.

Probably the question most frequently asked is "When can South Korea stand on its own feet?" Even now I don't know the answer. It's largely a military and political problem, and until that is resolved in something more definite than just an armistice, no one can really predict what South Korea's future will be.

Nevertheless, Korea has made great strides, thanks to our help, and to that of the United Nations. Yet it would be wrong to think that the Koreans have sat back and let us do all the work. Nor can we judge Korea in terms of Europe. The European countries have had more than 12 years to pull themselves up and reestablish their national economy, the Koreans just 5 years. What has been accomplished in this 5 years, considering all the difficulties, is impressive.

Take the cotton textile industry. Today Korea has some 46,000 spindles

as against just a fraction of that number before the war. Korea is even exporting cotton textiles; and Korea's problem now is to obtain sufficient raw cotton to keep these mills operating at full efficiency.

There have been other achievements too, all the more amazing when you realize that South Korea with a population of some 8 million people before the war has now become a country of over 21 million people. Just to feed and clothe this swollen population is a task that would stagger even the most advanced country. Also, as long as it is necessary to keep a force of 700,000 men under arms, even though the United States pays much of the bill, Korea will be a deficit country. But what seemed impossible a year ago has been accomplished. Inflation has been slowed almost to a halt and the money supply held at a reasonable level, so that economically Korea is in a better position than it has been since its founding in 1948.

It's when you start to study Korea's agriculture that you realize what a long road there is ahead. For 1,000 years these people have farmed in much the



Harvesting wheat on a South Korean farm. Koreans eat a lot of wheat, get most of it from the United States.



Preparing to blast limestone wall. Limestone is vast natural resource, will be used against soil acidity.



Fishing boats in Inch'on Harbor. Fish is chief protein in diet, also ranks as one of country's leading exports.

same way. And now our technologists come in and say "do it this way." You have nothing but admiration for these men and women who are trying to help the Koreans pull themselves up by the bootstraps. But sometimes I've asked myself if perhaps we aren't expecting too much in too short a time. Is Korea able or ready to adopt our ways of doing things? Wouldn't it be better to start where the Korean farmer is today and move forward a step at a time?

Farming is vital to the people of South Korea. The country is primarily agricultural. Over 70 percent of the people live on farms, or derive their income from the land. Acreage totals about 22 million, population 21 million. That means about one person per acre. The average-size farm is $2\frac{1}{2}$ acres.

Unfortunately, only about 22 percent of the land is suited to cultivation, 5 percent is wasteland, and about 73 percent forest land. Most of the farming is done in the valleys between the mountains. Of the tillable land, 37 percent goes into rice, 32 percent summer grains—primarily barley, wheat, and oats—10 percent pulses, and the remainder in vegetables and industrial

crops. The Koreans eat a lot of rice and vegetables, but they also consume wheat in various kinds of pastry and noodles. Before the war the wheat came from North Korea; now it is being obtained from the United States under government programs. Recently several new flour mills have been built.

With regard to trade, Korea exports, as I mentioned, some cotton textile goods. It exports excellent fruit, mainly apples and pears. Fish and marine products are also important exports. Most of this trade is within the Asian area. Minerals—chiefly tungsten—are Korea's main nonagricultural trade items. In recent years, Korea has developed what I call a handicraft industry—lacquerware, brass objects, and such things that could compete readily with Asian products. And if treaty negotiations with Japan are successful, exports could be almost doubled from last year's estimated \$30 million.

Korea's imports are largely industrial, which is only natural for a country that has just gone through a war. However, I suppose that within the next 5 years Korea will have to import upwards of \$60 million to \$90 million of various agricultural commodities

from the United States. These items will be mainly wheat, cotton, and barley. Last year Korea bought rice from us as well as from other countries. This season Korean farmers are harvesting their best rice crop since 1941, estimated at over 75 million bushels; no rice imports will be needed.

So actually, from a trade point of view, Korea at the present time is not a commercial market for our farm products. And no one who knows the country would feel safe to predict when it might be—at least, not until after the military situation has been cleared up. In the meantime, the Koreans are working on their rehabilitation problems. They are moving ahead slowly in improving their agriculture and raising their standard of living. They have a strong national pride and consequently are striving to become economically independent.

Drought Hits Farmlands In Large Areas of World

Drought has reduced crops in the Americas, Asia, and Australia. Particularly in Asia and Australia, lack of rain last year may cause a marked adjustment in patterns of marketing and trade.

RAIN ALWAYS MEANS a lot to farmers. But during the present crop year, farmers in wide regions of the world have spent more time than usual worrying about rain that came too little, or too late, or not at all. Many have worried for the second year in a row. This problem, in varying degrees of severity, has affected the continent of Asia (India, China, Ceylon); the island continent of Australia; and the two American continents.

How bad has drought been, and what impact has it had on each country?

In the Americas, drought is a fairly familiar matter. Mexico has districts where irrigation is always necessary, and last year irrigation water was especially scarce. The Central American countries have felt the effect of dry weather on their food supply mostly because they had reduced their food-crop acreage in favor of cash crops. Colombia, Peru, and Chile have large, naturally arid regions where conditions are only a little worse than usual.

Therefore, this story confines itself to Asia and Australia, where drought has—at least recently—been a more unusual occurrence, and where the immediate effect could be marked readjustment in patterns of marketing and trade.

India

After four good monsoon seasons in a row, India has now had a poor one. These rains, blown in from the Indian Ocean during summer and fall, are vital to India's food-grain production. Rice and other kharif (autumn) cereals get their growth from June through September; wheat and other rabi (spring) cereals need adequate ground moisture from early fall rains

for successful plantings.

Until early September 1957, conditions were generally good. Another bumper rice crop was foreseen. But in September and October, northeast India's usual monsoon rains failed to materialize. Rainfall in June through September was 33 percent below normal in Orissa and almost as short in Bihar, West Bengal, Uttar Pradesh, and Madhya Pradesh.

These States together account for more than half of India's rice acreage. Indian sources reckon the combined loss at between 3 million and 5 million tons of kharif cereals, mostly rice.

True, not all rice plantings in the drought area suffered equally; and crops in most other States are normal or better. But without much doubt, substantial damage has occurred—all the more because India's irrigation facilities are still limited and its crops highly vulnerable to monsoon failure. Then, too, much of the extra rice for India's deficit areas comes from the drought-affected region. So this year the food problem in densely populated places will be more acute.

Corn and other coarse grains were also damaged. Planting of wheat, barley, and millet was hampered, though scattered rains in early November helped. Thus India cannot count on its spring grains to fill the rice gap.

Even in good years, India imports food grains. Its rice consumption is approaching 30 million tons a year. In 1956-57—despite excellent crops—it imported 859,000 tons of rice and 2,032,000 tons of wheat, partly to build up reserve stocks. The drought will mean additional food imports. Indian officials have estimated import

requirements for 1957-58 at about 3.5 million to 4 million tons—2 million more than "normal" needs.

India would like more rice, but finding it will be a problem. Burma, and perhaps Thailand and Vietnam, may be asked for more. However, the likeliest commodity to take up the slack is wheat. Australia, normally a large supplier, will have little to offer this year because of its own drought. That leaves the other three major world exporters—the United States, Canada, and Argentina—as possible suppliers. India may also be interested in corn and milo, with the same three countries as possible sources.

China

The northern provinces, China's most important winter wheat area, have suffered a prolonged dry spell that may affect the coming spring's harvest. Wheat is China's second most important grain crop, a basic food for millions of people in the north.

From early August 1957, the winter wheat area had unusually dry weather. Lack of moisture was a serious hindrance to planting and a threat to germination. Rain did not come until late in October, and even then it apparently missed part of the area.

In a night-and-day battle to irrigate the fields, the government mobilized millions of peasants and soldiers, plus rural "cadres." Even so, at least one important province is said to have missed its acreage target and to have sown 14 percent less wheat area than last year. Though other winter wheat provinces may not have fallen short, China has always needed all the wheat it can produce. Thus any shortcoming in this spring's wheat crop would dim the prospects for improving an already tight food situation.

Ceylon

For the second straight year, Ceylon has had drought in most of its northern area as well as along its southern coast. All export and food crops have been affected, and livestock have suffered a heavy toll.

The rice crop now growing is expected to be the lowest since 1952-53. Output of other peasant food crops, including millets, pulses, sweetpotatoes

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Farmer with team of oxen is common sight in Italian countryside. Mechanization, however, is making headway. Tractors now are to be found on most modern farms.



By Herbert K. Ferguson

Italy Shifts Its Farm Production Patterns

Marked changes in Italy's agriculture have greatly increased its output in recent years. Plans for the future call for further changes—less acreage in wheat and more in other commodities, including some that the United States sells to Italy or sells in competition with Italy.

By ELFRIEDE A. KRAUSE
European Analysis Branch
Foreign Agricultural Service

ITALIAN FARMERS will shift part of their wheat acreage to other crops if they follow the advice of their government. The "Battle of Wheat" to make Italy self-sufficient in bread, loudly proclaimed by Mussolini and continued with much less fanfare since the war, has been won. Soft wheat is now a surplus commodity in Italy. It had used up large amounts of foreign exchange and, after the war, U.S. aid funds. Durum wheat, however, is still in short supply. It goes into spaghetti and the other popular pastas.

Though the shift from wheat may be a slow one, it seems likely that there will be changes in the pattern of Italian agricultural production during the next decade. Minister of Agriculture Emilio Colombo, in a speech to the Italian Parliament late this fall, indicated the changes the government hopes will take place. For some of them it will provide special assistance. The changes he mentioned are these:

- Expansion of forage crops and feed grain production, to support an expanding livestock industry.
- Increased production of sugar beets, tobacco, and cotton.
- Increased production of tomatoes and other vegetables, with special attention to quality and the most desirable seasons for planting them.
- Cautious expansion of fruit production of varieties and types for which there is a market.
- Steady expansion of olive production.

These are the commodities, he said, which are in short supply or for which domestic or foreign demand is growing. Italy's increased wheat yields per acre will make it possible, he said, to correct the "organic vice" of Italian agriculture, which had always been lamented but hitherto considered unavoidable—too much land in wheat.

Minister Colombo also stressed the importance of reducing production and



distribution costs of agricultural products. Such reduction, he said, is especially urgent in light of the creation of the European Common Market, of which Italy is a member, and the possible formation of the European Free Trade Area. He was optimistic about the opportunities for marketing Italian farm products, emphasizing the growing domestic market for higher-quality foods resulting from steady improvement in the Italian standard of living.

Technology Ups Production

Italy has already achieved a substantial rise in agricultural production, per acre and per man. Total output during 1953-57 was up from prewar (1933-37) by nearly one-third. But there has been little change in the total area devoted to agriculture, and the number of persons engaged in agriculture has declined somewhat.

This rise came about chiefly as a result of substantial technological advances. But these advances, striking as they are, still leave much of Italian agriculture at a technological level well below that of countries in northern Europe or the United States. Given a continued sound economic development in Italy, technological improvements should bring about continued substantial production increases.

The extent of technological improvement which has occurred in recent years may best be characterized by a few figures. At the end of 1956, Italy had 184,000 tractors compared with 67,000 at the end of 1950 and 37,000 at the end of 1937. This still left the country with 212 acres of arable land per tractor (including orchards and vineyards), compared with 126 acres in France and 40 acres in West Germany. It has been estimated that the total horsepower used in Italian agriculture in 1956 was 20 percent above that used in 1939, when about 85 percent was still furnished by animals, mainly oxen. Mechanical horsepower more than tripled and animal horsepower declined by one-fifth from 1939 to 1956. Before Italian agriculture can reach the degree of mechanization considered desirable, the chronic unemployment and underemployment problem of the country will have to be solved.

Italy is also using more fertilizer. Its consumption in 1955-56 was nearly double that of prewar, and 50 percent greater than in 1950-51. In terms of fertilizer used per acre of agricultural land (excluding rough grazings), Italy still uses much less than most northern European countries; its per acre consumption of nitrogen and phosphates, though not of potash, was about equal to that of France.

A very important factor in the larger yields of certain crops has been

ITALIAN OUTPUT OF SELECTED AGRICULTURAL PRODUCTS

	Ave. 1933-37 1,000 m.t.	Ave. 1953-57 1,000 m.t.
Wheat	7,194	8,590
Corn	2,945	3,250
Rice	733	805
Sugar, refined	304	840
Olive oil, pressed... ..	211	255
Oranges and tangerines	382	705
Lemons	354	320
Apples	290	1,015
Pears	200	400

the excellent work done by Italian plant geneticists in developing improved seed. Also important is the substantially wider use of certified and selected seed. Some observers give this development a major share of the credit for the substantial rise in soft wheat yields during recent years. Italian plant scientists are now giving maximum attention to developing better durum wheat varieties, in the hope that similar yield increases may be achieved.

Italian corn acreage has never regained the prewar level, but total production is considerably higher than before the war, and still going up. Hybrid varieties accounted for only 1 percent of the seed corn used in 1948, but for 25 percent in 1956. According to an estimate of Italy's National Institute of Agricultural Economics, the acreage planted to hybrids in 1956 yielded nearly 30 bushels more per acre and total production was 18 percent greater than it would otherwise have been. Corn is by far the most important feed grain in Italy; it accounted for about four-fifths of total feed grain production in 1955-56, and is also the principal feed grain imported.

Government Aids Improvements

Much of the technological progress in Italian agriculture has been accomplished by the farmers themselves with the minimum of government intervention. They simply adopt improved methods for reasons of greater profit. This is true especially in northern Italy, where farming efficiency is close to the level of most of the rest of Western Europe, in contrast to southern Italy, where primitive farming methods are still predominant.

The Italian Government has, of course, undertaken measures to help ex-

pand agricultural productivity throughout the country, partly with U.S. assistance. An important step in recent years was the creation in 1952 of a revolving fund for agricultural credit, under which the government made available 125 billion lire (\$200 million) for loans at 3 percent interest for farm buildings, purchases of farm machinery, and irrigation facilities. The government also provides subsidies for the purchase of selected grain, fodder, and vegetable seeds and fertilizer by certain classes of farmers.

In addition, there are special programs for expanding livestock production and promoting olive plantings, as well as for improving existing groves. The Minister of Agriculture stated in his recent speech that the government would soon announce a special 10-year program for expanding fruit and vegetable production.

For decades the Italian Government has subsidized land reclamation. This program and additional measures undertaken in recent years have resulted in a substantial expansion of acreage under irrigation since World War II. Much postwar land reclamation work has been in the south.

The most striking measures in recent years have been those taken with the aim of raising the economic level of southern Italy (including Sicily and Sardinia) closer to that of the north. The principal programs are the land reform, which affects mainly areas in the south (though also the Maremma Plain in the center and the Po Delta region in the north), and the large-scale investment program of the *Cassa per il Mezzogiorno* (Fund for the South). The Ten Year Scheme for the Development of Employment and Income in Italy (the so-called Vanoni Plan) has economic development of the south as one of its major goals. This plan has been considered the guide for the government's economic development programs since it was submitted in 1955.

Changes occurring as a result of the development programs are impressive in some areas of the south, though it will be several years before their full impact on agricultural production is felt, particularly where emphasis is on

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Photos courtesy of British Information Service

Typical sight in Mauritius are the feathery, purple plumes of the sugarcane silhouetted against rugged mountains. *Right*, carrying baskets of fertilizer to the fields, and *below*, cutting cane stalk into eyes for planting.



Raising Sugar In Mauritius

Mauritius, a small island in the Indian Ocean 500 miles east of Madagascar, is the largest sugar producer and exporter among Britain's colonial possessions. In 1956-57, this colony, only 716 square miles in area, produced 630,000 short tons of sugar, exporting it to the United Kingdom, Canada, Ceylon, and nearby countries. Sugar was introduced by the French in mid-18th century. Plantations now cover more than 40 percent of the island, and sugar represents 98 percent of the exports.



Sugar is milled in 26 factories scattered throughout the island. The largest, shown below, is in the Flacq district; its crushing capacity is 200 metric tons an hour. *Right*, cutting cane on one of the big plantations.



THE ST. LAWRENCE SEAWAY

- - Effect on Grain Marketing*

By RAYMOND A. IOANES, Deputy Administrator,
Foreign Agricultural Service

THE ST. LAWRENCE SEAWAY and power project is expected to open to navigation next spring. I haven't the slightest doubt but that the opening will go down in history as one of the milestones in the economic development of the Great Lakes area. The Seaway will grow in importance with the years and will take its place as one of the world's important traffic arteries.

I make no claim of being an expert on the St. Lawrence Seaway. However, as a representative of the Department of Agriculture, I am actively interested in its probable effect on the agriculture of the Midwest.

Without doubt, the Seaway will have a tremendous impact upon the Midwestern States. It appears that we would be overly optimistic if we expected this impact to come immediately with the Seaway's opening to navigation in the spring of 1959. Apparently, the full impact of the Seaway upon industry and agriculture will come over a period of years.

Last July, the Department released a study on "Potentials of the St. Lawrence Seaway for Marketing United States Agricultural Commodities." It concluded that direct shipments from Great Lakes ports to foreign countries no doubt will increase, but that the Seaway as being constructed will still be primarily an inland waterway. The opening of the Seaway will better accommodate the increasing flow of traffic that has been built upon within the Great Lakes area over the past decade.

Ocean shipping will be limited to some extent by factors well known to

farmers of the Midwest. The Seaway will be closed by ice in the winter. It will not be deep enough to handle the largest seagoing vessels. Although the Welland Canal is being improved, it is possible that the improvements may not be sufficient to accommodate the total potential flow of commerce. Of course, the Seaway will be shared with the Canadians, and if traffic demand exceeds available facilities, there will be competition in its use.

These are among the general problems that will arise, but they will be met over a period of time. The important thing is the building of the Seaway itself. It seems to me it is an expression of faith in the importance of an expanding flow of commerce, both domestic and foreign, in improving living standards.

The existing canal with the limited draft of 14 feet already has a cargo movement of more than 13 million tons per year. The tentative conclusion of the U.S. people working on the St. Lawrence Seaway is that the workable capacity of the Seaway can be increased to about 50 million tons within the next 10 years. They are also of the opinion that potential traffic is available to utilize this capacity.

They believe that bulk products will constitute about 80 percent of the expected volume of traffic and that the largest tonnage will be iron ore and other minerals, followed by grain and grain products.

I think it is too early to make an accurate estimate of how much of the 50 million tons will be U.S. grain and how much will be Canadian grain.

We can make one major conclusion. The Seaway will provide a new trans-

portation yardstick for the movement of grains into export. At the present time, part of the Midwestern grain is marketed through Great Lakes shipping by way of Toledo and other lake ports. Because of existing 14-foot canal limitations, it has to move on bulk carriers with capacities of 2,000 to 2,500 tons. The new Seaway facilities will handle bulk carriers 10 times this size. Studies indicate potential savings in grain shipments of from 10 to 20 cents a bushel.

I say potential because the Seaway will set up new competition with existing rail and trucking facilities. The potential will be affected by the volume of traffic seeking to use the canal in relation to its capacity. Also, since the Seaway has certain fixed costs, this may result in some limitations on the realization of potential savings. So, this brings us back to a yardstick comparison.

The Seaway, with its potential savings, should either draw traffic away from existing facilities or encourage those facilities to bring their rates into line. In either case, Midwest grain farmers stand to benefit directly or indirectly. Farmers stand to gain if more traffic is drawn to the Seaway, but they will gain also if the present cost of movement through existing facilities is made more competitive.

As you know, world competition for grain marketings is keen. Anything that can be done to lower delivery costs to foreign customers will improve our position in world marketings. In this highly competitive marketing situation, every cent shaved from export prices is important. And it doesn't make much difference whether this results in an increase in soybean exports from Ohio or from Iowa. If our national exports of soybeans increase, then the position of the Ohio soybean producer will be improved.

*Excerpts from remarks before Field Crops Conference, Ohio Farm Bureau Federation, Columbus.

Then, of course, the Seaway has implications for Midwestern farmers in home markets. As Great Lakes ports expand, new payrolls will continue to be created. More people will be needed to handle the larger flow of traffic. Electric power will be one of the products of the expanded Seaway, which means new industry will come along to provide still more payrolls. Add these together and they indicate a constantly expanding home market for feed grains, livestock products, dairy products, fats and oils, and the many other farm products.

According to the Port of New York Authority, 1 out of every 4 of the 13 million people in the area makes his living from the ocean shipping business. One more makes his living selling to the first one. In other words, half the people in and around New York owe their living to the fact that New York is a great port city. Apply this to port cities of the Great Lakes area, and we can readily see the growth potential.

There is still another aspect of the Seaway that is important. If the expected fourfold increase in traffic materializes, shippers will be reluctant to bring in empty vessels to carry away our export cargoes. They will tend to fill these vessels in order to make effective use of their capacities. Full cargoes coming into Great Lakes ports mean greater dollar earnings for foreign customers. They mean more dollars with which to buy American farm products.

That is important to U.S. farmers, for American agriculture is going through a technological revolution. Each hour of farm work today produces twice as much as it did before the war. Although the domestic market is our principal market, it cannot absorb the total production of our farms. Unquestionably, the maintenance of a sound agriculture is also dependent upon a healthful and expanding export market.

Last year's exports were at the highest level in history, but only 60 percent of the total—\$2.8 billion worth—were sold to foreign customers for dollars. Certainly, I believe that the remaining 40 percent moving under special government programs is doing

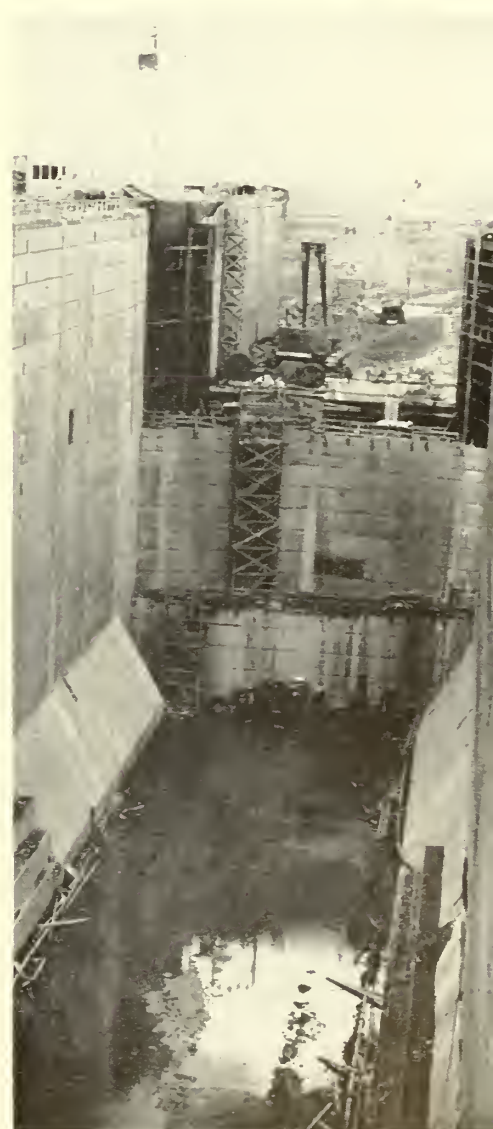


Photos courtesy St. Lawrence Seaway Development Corp.

One of 7 new, larger locks of Seaway (*right*), which can lift vessels with 10 times the cargo capacity of those now in use (*above*). Seaway will help cut freight costs on grain sold abroad.

a good job in helping move surpluses and in improving living standards in many foreign countries. But in the longer run, our big job is to expand the \$2.8 billion total. It seems to me that the Seaway is a strong and positive step forward in this direction. I think farmers know that they stand to gain from an increased two-way flow of trade. Farmers look upon the Seaway as a method of reducing the cost of articles that are imported as well as exported. This is the way that commerce flourishes.

In this connection, I would like to stress the importance of the reciprocal trade agreements program. This program helps us gain greater access to foreign markets—it helps other countries gain access to our markets. It is impressive to note that 80 percent of our agricultural exports go to countries with which we have trade agreements and two-thirds of such exports move under concessions granted to us. The St. Lawrence Seaway offers dramatic evidence of the beneficial effects of expanded two-way trade as fostered by the trade agreements program.



Egypt's Trade Still Directed Eastward

Egypt's exports are continuing eastward. In 1953 Egyptian sales to Western Europe were five times greater (by value) than those to all Soviet countries. By 1956, however, the pattern had changed. Shipments to Communist countries exceeded those to Western Europe by 6 percent, or \$8 million. And for the first 8 months of 1957 the Soviet countries took 47 percent of Egypt's \$346 million exports, compared with 36 percent for the same period in 1956. Also during the first part of 1957, Russia replaced Czechoslovakia as the largest purchaser of Egyptian cotton. Czechoslovakia had edged out India as Egypt's leading customer in 1956.

Western Europe supplied the largest share of Egypt's total imports of \$534 million in 1956. On a country basis, however, the United States replaced the United Kingdom as principal supplier. The United Kingdom placed second, with West Germany third, and Italy fourth. But the Communist countries have continued to gain importance as sources of Egypt's imports. For the first 8 months of 1957, Communist countries provided 27 percent of total foreign purchases of \$329 million—a sharp increase over the 12 percent supplied in the corresponding period of the previous year.

In 1957, for the first time since pre-war, Egypt showed a favorable balance of trade. For the first 8 months it amounted to \$16 million and was attributed to sharply reduced imports. In contrast, there was a deficit of \$93 million for the corresponding period of 1956 and the total deficit for 1956 was \$130 million. This represented an unfavorable balance with the United States and Western Europe. Egypt's 1956 trade balance with Eastern Europe and the Far East was favorable.

Egypt is encouraging trade with Western countries by:

- Granting special premiums on cotton sales to hard currency areas.
- Allowing a share of cotton sales to the United States and Canada to be in barter for tobacco and other commodities.

Drought Hits

(Continued from page 12)

toes, and cassava, is well below normal. Thus Ceylon may be seeking additions to its food supply; and this could mean another call on Asia's already tight rice supplies.

Of Ceylon's three principal export crops, coconuts have suffered most. Shipments of copra and coconut oil in the first half of 1957 were already a third below the corresponding ones of 1956. Not only was the crop even lower in 1957 than in 1956, but the effect of the drought will undoubtedly carry into 1958. Rubber may show some decline in production; but tea—of which Ceylon is the No. 1 U.S. supplier—has not been much affected.

Australia

By Australian standards, "drought" might be a severe term for the dry spell that began in mid-1956 and lasted through most of 1957. Yet rainfall has been half of normal in all States except Western Australia; and prospects for winter grains are the lowest since the disastrous crop of 1944-45. The 1957-58 wheat crop is estimated at 80-90 million bushels—less than half the 10-year average. Feed-grain crops too are down: barley to half of last year's, oats to less than half, corn to a fifth, and sorghum to a fourth. Pastures have also suffered.

Australia normally ranks as one of the world's top wheat exporters, and its wheat is second only to its wool as a source of export revenue. But in the marketing year that began December 1, Australia may be hard pressed to cover its own needs and make token shipments to its best customers. It will probably have at most 35 million to 40 million bushels for export compared to its normal 100 million.

This export slump is not due to the drought alone. The year before, paradoxically, it was wet weather that cut the wheat harvest. And even though exports during the current marketing year ran considerably below those of 1956, they used up so much of the carryover that Australia ended the wheat year on November 30 with stocks of only around 40 million bushels. Home needs in 1957-58 will be at least 75 million—perhaps more,

if demands for feed wheat increase.

Australia normally exports close to 200,000 tons of barley and 40,000 tons of oats. But last year's exports of both grains were down, and this year there will be little barley and probably no oats for export.

Another Australian export that feels the side effects of drought is meat. To reduce pressure on dry pastures, many livestock have been butchered, so many that slaughter plants have had trouble coping with the runs. And the drought has lowered livestock quality. Many animals have been processed by canning plants or boned for export as manufacturing-meat.

This increased slaughter creates an export problem, for Australia's 15-year meat agreement with the United Kingdom channels all Australian meat exports there except for a periodically revised "free quota." Australia has asked the United Kingdom to raise the free quota above the present 15,000 long tons. If the request is granted, Australia plans to boost its exports of canned meats and manufacturing-beef to Asia and the U.S.

Another farm product feeling the pinch of drought is wool, of which Australia is far and away the world's largest producer and exporter. Sheep numbers are unusually high because of good pasture conditions year before last. But last year's pastures were so poor that in October over 40 percent of the sheep in New South Wales were being hand-fed. Heavy slaughter is expected during 1957-58; and estimates of 1957-58 wool production are being revised downward.

To maintain its livestock population, and possibly to permit the minimum wheat exports it considers essential to its trade pattern, Australia may have to import wheat and feed grains. However, Australia's own traditional wheat customers—the United Kingdom, with close to 30 million bushels; New Zealand and Japan, with about 9 million each; East Africa, the Middle East, Hong Kong, and others totaling around 3 million—must make up the difference elsewhere. So must its traditional flour customers such as Ceylon, Malaya, Indonesia, and the Philippines, which in total account for some 25 million bushels.

Beef cattle being loaded on plane for shipment to Central America. Two out of every three head exported last year were beef breeds, with Hereford leading.



U. S. Now Ranks As World's Largest Exporter of Breeding Cattle

FOR YEARS Northern Europe—chiefly Britain, Denmark, and Holland—was the world's primary source of breeding cattle. Last year, as the result of an Export-Import Bank loan to Mexico, the United States became the world's largest exporter of breeding cattle. At the same time, it changed from a net importer of stock to a net exporter.

The United States took its place as an important exporter of breeding stock right after the war, when 39,000 head of cattle were shipped to de-

stated countries. These shipments were occasioned by unusual circumstances. The steady upward climb did not begin until a few years ago. As a climax came the \$5-million loan to Mexico in October 1956, to enable that country to strengthen its cattle industry.

Mexican ranchers used that money to buy U.S. breeding cattle. In 6 months U.S. cattle exports to Mexico jumped in value from \$400,000 to over \$5 million. And this, in turn, brought U.S. total breeding cattle exports for the first half of 1957 to

32,184 head compared with 12,842 for the corresponding period in 1956.

Of the importing countries, Mexico naturally was in the lead, taking around 73 percent. Canada, Venezuela, and Cuba accounted for most of the remainder, although 21 other countries also received small shipments.

Two out of every three head of cattle were beef breeds. Herefords were the most popular—11,023 head—followed by Brahman, Santa Gertrudis, Aberdeen Angus, and Brangus. Those destined for Mexico originated

Santa Gertrudis from Texas file out of freight car in Mexico's cattle ranching country as crowds watch.



Mexican ranchers inspect Brahman cattle imported from the United States through Export-Import Bank loan.



in 14 states, although 91 percent of these beef cattle exports came from Texas, New Mexico, and Arizona.

Of the 7,125 head of U.S. dairy breeding cattle inspected for export during January-June 1957, 68 percent were Holstein, Brown Swiss represented 20 percent of the total, while Jersey, Guernsey, and Ayrshire accounted for the remainder.

Most of the cattle were at least 2 years old. Of the beef cattle, 60 percent were females, of the dairy cattle, 91 percent.

In making the loan to Mexico, the Bank had a threefold purpose: 1) to help Mexico build up its cattle industry; 2) to relieve some of the economic pressure on the ranchers in the drought areas of the United States; and 3) to strengthen the cattle market generally.

These goals were achieved, and, as a result, the Bank made another loan to Mexico in July 1957. In announcing this second loan, the Bank stated that it expected the money to be used to buy better quality animals than were purchased under the first loan. This will undoubtedly mean that the United States will export fewer head of cattle this year, but that these exports will be of the type to build finer herds, thus insuring a future market for quality stock.

The U.S. Department of Agriculture cooperated with the Bank in obtaining these Mexican loans and is now working on market development projects in six countries in Latin America to expand the market for U.S. beef and dairy breeding cattle. These projects are of four general types:

- Establishing demonstration herds of U.S. animals whose performance records will be available to the public at all times. Prospective buyers of U.S. breeding stock will be able to observe first-hand under local conditions the performance they may expect from purchases from U.S. breeders.

- Sending well-known U.S. cattle judges to judge and classify cattle at the Latin American exhibitions and on their farms. The good will created by helping the Latin American breeders progress more rapidly will accrue to U.S. breeders when Latin Americans buy their next breeding cattle.

World Production

(Continued from page 9)

in the Communist areas than in other parts of the world. Also, per capita production in Communist countries as a whole is still significantly below pre-war, whereas per capita production in the rest of the world is slightly above.

World trade. With world population increasing about 43 million persons per year, the demand for agricultural products has been strong. This demand has also been stimulated by world-wide industrial and agricultural expansion, resulting in record consumer incomes. Recently, inflationary pressures and growing exchange shortages have caused a few countries to slow down their expansion programs and tighten their import restrictions. And because of these restrictions, world trade in agricultural products during 1957-58 may not reach the record proportions of 1956-57. But it is expected to continue at a high level.

(Summarized from *The World Agricultural Situation, 1958*, issued by the Foreign Agricultural Service of the U.S. Department of Agriculture.)

- Translating and printing of "Buyers Guide for U.S. Dairy Cattle," brochures for all five U.S. dairy breeds, and the U.S. Farmers' Bulletin "Care and Management of Dairy Cows" in Spanish and Portuguese. These pamphlets are presenting information to the prospective customers that has not been previously available in their own language.

- Arranging and financing a visit of selected students from Peru to visit U.S. cattle expositions and breeding establishments. These boys were selected from families that are actively engaged in livestock farming and could be seriously considered potential customers for U.S. breeding cattle.

To maintain this position as the world's largest exporter of breeding cattle will require effort. However, market development programs and the stimulus of the Export-Import Bank loans should enable the United States to retain a large share of this expanding market for breeding cattle.

Foreign PRODUCTION NEWS

East Africa is growing more high quality tea in Tanga Province. Several large companies with experience in tea growing in the Far East have acquired land. Of the 18,000 acres found suitable for producing tea, over 6,000 acres have been licensed for planting and about 2,500 of these are already planted to tea.

Israel's 1957 cotton crop benefited the nation's economy markedly by reducing the need for imports and saving about \$3.5 million in foreign exchange requirements. Cotton was introduced in 1954 as an experimental crop in Israel, but this season's success has encouraged Israel to aim for further production increases.

Lebanon is encouraging pistachio nut production. The government bought 200,000 plants from Syria during the past year and distributed them free to cooperating farmers. The Ministry of Agriculture estimates that income from pistachio nuts could amount to nearly \$7 million annually, in 10 years.

The 1957-58 lemon crop in *Sicily* has been damaged by poor weather conditions during the blossom period and is estimated at 30 percent below average. Supplies will be small during January and February, but are expected to increase by March, although the later fruit may be of poorer quality.

Russia's 1957 harvest of barley and oats is indicated to be smaller than the 1956 output. Yields were reduced by drought in many important regions.

Ghana, the world's largest producer of cacao beans, is concentrating on improved culture through a swollen-shoot contract campaign, a capsid spray program, and a program of soil improvement and fertilizer research. Future production expansion is expected to result from higher per-acre yields rather than increased acreage.

Foreign Competition

In Poultry and Eggs



THE UNITED STATES will face keen competition for shell egg markets in the next few years, but expects increased export opportunities for frozen poultry, baby chicks, and breeding stock.

U.S. poultry and egg exports, which have been increasing steadily in the past few years, took a downward turn during the last half of 1957. This sudden downturn was caused mainly by protective actions on the part of three leading outlets—Canada, Venezuela, and Cuba—which are fostering their poultry industries.

Canada had a record turkey crop, record storage holdings of all poultry, and unusually large imports during the first half of 1957. In July it embargoed imports of turkeys and fowl in order to carry out a newly enacted price support program. Canada's 1957 imports from the United States up to the time the embargo went into effect totaled 9.4 million pounds of turkeys and other fowl—a little less than half the 1956 figure.

Cuba has been expanding its production of broiler hatching eggs and chicks. In September 1957 domestic supplies of broiler chicks were considered sufficient to fill the country's needs, so imports were stopped.

Venezuela had already taken similar action. Imports of broiler-type and egg-type chicks were banned by that country in July. Venezuela, however, is not producing sufficient hatching eggs and has sharply increased its purchases from the United States.

The Egg Situation

The 1957 world egg picture was marked by change. The long upward trend in egg production since World

War II continued in most of the important egg-producing countries. The world's leading exporters, the Netherlands and Denmark, produced record quantities in the 6 months.

Even more important, the United Kingdom—traditionally the principal year-round importer—became substantially self-sufficient in eggs in 1957. This was accomplished by means of high guaranteed prices to producers, a move which was so successful that eggs were actually exported in early 1957.

This development caused a pronounced shift in world trade. The Netherlands and Denmark—formerly exporters to the United Kingdom—shifted their sales to West Germany, which is becoming an increasingly important market. Ireland, Australia, and South Africa—which also depended on the U.K. market—sent small shipments to new markets, but have not been as successful as Denmark and the Netherlands in adjusting their trade. Consequently, egg supplies have tended to grow and producer prices have fallen.

Excellent weather and a larger number of layers contributed to particularly heavy egg production in the United States as well as in Europe in 1957. And Canada—the United States' leading shell egg competitor—also upped its production. Canada shipped twice as many eggs in 1957 as in 1956. Canadian exports to Venezuela rose sharply, from 34,300 cases in the first 10 months of 1956 to 159,000 cases in the same period of 1957. U.S. exports to Venezuela also rose during this period, but to a lesser degree.

The especially heavy production—a 3-percent overall rise over 1956 for the 26 leading egg-producing countries—and the disturbed marketing patterns

reduced producer prices to the point where fewer baby chicks were produced for flock replacement purposes in 1957. Therefore, the outlook for 1958 is for reduced world egg supplies.

The Poultry Situation

World trade in poultry meat rose above 1956 levels in 1957. U.S. exports, however, dropped during the last half of the year, mainly because of the restrictive action by Canada. The depressing effect on U.S. exports caused by this action is expected to be temporary.

In the past the United States' principal poultry markets have been Canada, Central America, and the Caribbean Islands, and it has had little competition for these outlets. Recently U.S. poultry has begun to move to Europe—primarily to Germany and Switzerland. Competition for European markets will come mainly from Holland and Denmark, which are substantial exporters of poultry and sell almost exclusively to European markets.

But the general outlook is optimistic. Rising living standards and expanding populations in nearly all countries will mean a greater demand for poultry. In some—such as Switzerland, the Caribbean Islands, and Peru—the demand for poultry meat is rising faster than local output, resulting in export opportunities for the United States. The Caribbean area is also taking more baby chicks.

Forecast

It is not likely that U.S. exports of shell eggs can increase substantially in the next few years mainly because of the high cost of transportation and the protection many governments afford their farmers.

Frozen poultry, baby chicks, and breeding stock will provide the best opportunities for future U.S. exports. To date no other country has equaled U.S. efficiency in producing high quality poultry meat, and U.S. breeding stock is widely acknowledged as being the best in the world.

Latin America and Europe offer the greatest potential future markets for U.S. poultry and poultry products. U.S. market development programs—in progress and planned—will aid promotion in both areas.

WORLD

Agricultural Summaries

Jute. A decline of about 51 million pounds in world jute production was estimated for 1957, but output was expected to be adequate to supply world needs. Decreased production in Pakistan—the largest producer—and small declines in Brazil and Iran were largely responsible for the depressed world total.

Flaxseed. World flaxseed production in 1957 was estimated at 143.8 million bushels—a drop of 15 percent from the near-record 168.7 million bushels grown in 1956, but about 20 percent above the 1950-54 average. The reduction from 1956—about 25 million bushels—was attributed to sharp declines in three of the four major producing countries—the United States, Canada, and India.

Soybeans. World production of soybeans in 1957 was at a record for the fourth consecutive year. The estimated total 883 million bushels exceeded 1956 output by 3 percent and was almost a third larger than the 1950-54 average. Expanded U.S. production was almost entirely responsible for the increase.

Sugar. World sugar production is still climbing, with all continents showing increases. 1957-58 production of centrifugal sugar is expected to be up about 2.2 million tons, while non-centrifugal production will probably increase about 114,000 tons.

Peanuts. Global output of peanuts in 1957 was estimated at an all-time high of 14.4 million short tons (unshelled basis). This was a 4-percent increase over the previous record established in 1956 and nearly a fourth above the 1950-54 average. The rise was mainly the result of record crops in India, French West Africa, and Nigeria—all major producers.

Italian Production

(Continued from page 14)

tree crops, which take several years to come into bearing. On consumption, the effect has been more immediate. Increased incomes, partly due to payments for work done on land reclamation projects, road building, construction, and so forth, have already led to increased per capita consumption of sugar, meat, and other foods, as well as industrial consumer goods. This is decreasing the wide disparity between standards of living in the south and the rest of the country.

Surplus Problems

The increase in Italian production has created surplus problems for sugar and rice, as well as wheat.

In 1955 it became apparent that more sugar and rice were being produced than marketing possibilities warranted; stocks were accumulating at an uncomfortable rate. The sugar beet acreage contracted for in 1956 and 1957 was therefore reduced sharply and the sugar price and tax were reduced somewhat, as of 1956, to accelerate the increase in consumption. In the first half of 1957 most of the large stocks which had accumulated were disposed of by exports at considerably less than the high domestic prices. Since the 1957 sugar beet crop turned out to be a poor one, it is possible that imports may be required during the current season. As Colombo indicated in his speech, however, sugar production is expected to increase in the long run to keep pace with expanding domestic consumption. Average per capita sugar consumption in Italy, while still very low, has more than doubled since the prewar period.

Italy's rice surplus situation developed after the Far East came back into full production, reducing Italian export possibilities. To contend with the situation the government has used the system of acreage allotments and government stockpiling. Also, it reduced the support price for rice and paid it only on the output of the allotted acreage.

As for the soft wheat surplus problem, that problem had led to exports in 1956-57, in effect at prices below

cost. The government's first direct action to forestall continuation of the problem was a slight reduction in 1957 in the pooling price for soft wheat, accompanied by a considerable increase in the pooling price for durum. This was declared to be only the start of a more substantial reduction. The Italian support price for wheat has generally been well above the world price levels.

Effect on U.S. Markets

The major change which has already occurred in U.S. exports to Italy is the sharp reduction in Italian takings of wheat. Efforts to sell the Italians hard red winter wheat for use instead of durum in the pasta industry have met with some success, and durum will likely continue to be in demand. But there will probably be little opportunity to sell other wheat to Italy in the future. The major U.S. agricultural export to Italy, cotton, will not be materially affected unless Italy should make a really large-scale effort to expand production. Italy produces such a small portion of its own cotton needs—about 5 percent—that even a doubling or tripling of production would reduce import requirements only slightly.

Italian plans for increases in production of olive oil, tobacco, and livestock products will probably have little effect on our market there for these and similar products if domestic consumption continues to increase as anticipated. There may even be an expanded market for feed grains and protein meals to support the expanding Italian livestock industry. Italian imports of feed grains have gone up sharply in the past 2 years, in spite of expanding domestic production.

On the other hand, U.S. agriculture is likely to experience increased competition from Italy in European markets for citrus fruit, apples, pears, and possibly other fruits and nuts. This may be partly offset, however, by increased European consumption of these products. The to-be-announced new program for expansion of fruit and vegetable production, which Minister Colombo mentioned in his speech, could be an important step in Italy's development toward what it would undoubtedly like to become—the California of Europe.

TRADING POST



United Kingdom Buying More Mohair

Great Britain bought 14.7 million pounds of mohair in the first 9 months of 1957—2.5 million pounds or 20 percent more—than in the corresponding period of 1956. This is a continuation of the sharp upward trend which started in 1955. In 1956, when the United States replaced Turkey as Britain's main source of supply, the United Kingdom bought 70 percent of total world exports.

African Coffee Imports Parallel "Instant" Demand

Paralleling greater U. S. demand for instant coffee is the rise in imports of African types—mostly Robustas—widely used in soluble blends. In 1957, U.S. imports of African coffee were about 3 million bags—contrasting sharply with the 428,000 bags imported in 1949. Africa's production has doubled since 1949.

At the same time, U.S. purchases of coffee from Latin America, its leading coffee source, have declined from 21.6 million bags in 1949 to an estimated 17.1 million in 1957. Latin American beans are used mainly in roasted coffees.

Of total coffee imports into the United States in 1957, an estimated 17 percent was used in soluble coffee. This reflects a significant shift in coffee-drinking habits over the past decade. In 1949 only 2 to 2.5 percent of U.S. coffee imports were used for instant blends.

Uruguay Moves To Reduce Butter Surplus

Uruguay has decreed a 100-percent free-exchange rate on butter and casein exports in an effort to stimulate butter trade. Prior to the decree Uruguay followed a dual conversion system where

by 85 percent of the price received could be converted at the free exchange rate (4.1 pesos per dollar) and the remainder had to be converted at the controlled rate (1.5 pesos per dollar).

The United States and Brazil are the major markets for Uruguay's casein exports, which exceed a million pounds each year. Uruguay has not been a butter exporter—except in 1953 when 661,000 pounds were shipped to Russia—but hopes to reduce accumulating butter stocks by granting the 100-percent free exchange rate. It will probably look for butter markets in neighboring South American countries—particularly Venezuela.

West Germany Continues To Buy Apples and Pears

West Germany will continue to buy apples and pears from a number of countries—including Canada and the United States—through March 1958. Unfavorable spring weather reduced the European fruit crop by a third last year, resulting in a need for imports. On the other hand, the United States had a large 1957 crop and prices are relatively low, enabling the United States to maintain a favorable export position.

New Zealand Increases Casein Sales to Japan

New Zealand recently sold 4.5 million pounds of casein—valued at slightly over \$840,000—to Japan as part of its accelerated casein program. The sale was made under a renewable contract and comprises 80 percent lactic casein and 20 percent rennet casein.

In recent years, New Zealand's sales of casein to Japan have averaged about 3 million pounds annually. The United Kingdom, however, is New Zealand's major market, accounting for 34 percent of its exports during 1956-57.

United States Shipping More Hides and Skins

U.S. exports of all types of hides and skins increased significantly in the first 9 months of 1957 over the same period of 1956. Cattle hide exports were up about 34 percent; calf and kip skins, 15 percent; and sheep and lamb skins, 73 percent.

Most of the gain was attributed to increased sales of cattle hides to the Netherlands and West Germany, calf and kip skins to the Netherlands, and sheep and lamb skins to Canada and the United Kingdom.

Egypt's Wheat Harvest Falls Below Average

Egypt expects to import up to a million metric tons (grain equivalent) of wheat and flour during the 1957-58 year to supplement domestic supplies and increase carryover stocks. The country's 1957 wheat crop was about 5 percent less than the large 1956 harvest and below the average of recent years. A reduction in acreage in favor of cotton and slightly lower yields contributed to the decrease.

France reportedly will supply Egypt with 200,000 to 300,00 tons of wheat flour under a cotton-for-wheat agreement. And Egypt will import 210,000 to 300,000 tons of soft wheat from Italy under a triangular arrangement—Syria is the third country involved.

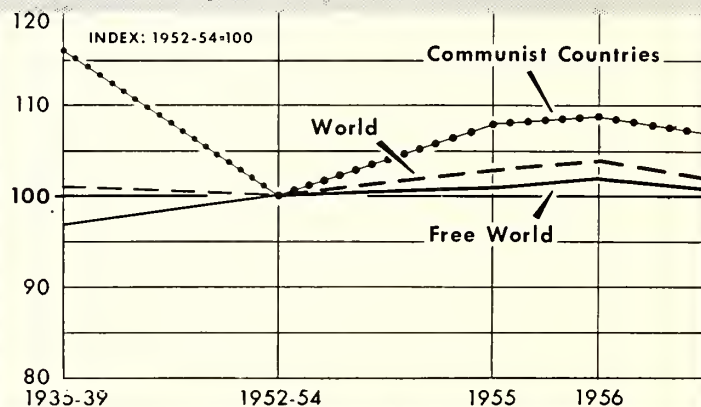
Although Egypt's import arrangements for 1957-58 are still incomplete, the government's present plans for foreign purchases provide for little or no wheat from Iron Curtain countries. In contrast, during the 1956-57 season Egypt imported 400,000 tons from the Soviet Union.

World Cattle Hide Demand Strengthens

A strong world demand for cattle hides was reflected in 1957 export figures of the United States and Argentina—two leading exporters. U. S. exports increased 34 percent in the first 9 months of 1957 over the comparable period a year earlier. At the same time, Argentine shipments rose 22 percent above the 1956 period which, in turn, was 18 percent above 1955.

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PER CAPITA AGRICULTURAL PRODUCTION: All Major Regions of World Have Held Farm Output Above 1952-54



But Communist Countries Are Still Trying to Regain Prewar Level

